

Message Text

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PAGE 01 KINGST 05105 312123Z
ACTION ARA-14

INFO OCT-01 ISO-00 EB-08 AID-05 CIAE-00 COME-00 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 IO-13 PA-01
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R 312030Z AUG 77
FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC 7045
INFO AMEMBASSY BRIDGETOWN
AMEMBASSY GEORGETOWN
AMEMBASSY NASSAU
AMEMBASSY PORT OF SPAIN

C O N F I D E N T I A L KINGSTON 5105

E.O. 11652: GDS
TAGS: EGEN, ELBR, EFIN, PINT, JM
SUBJECT: GOJ WITHDRAWS WAGE GUIDELINES

REF: KINGSTON 4968

1. FOLLOWING A MEETING BETWEEN TRADE UNIONS AND A GOVERNMENT
NEGOTIATING TEAM AUGUST 29, THE GOJ HAS WITHDRAWN THE WAGE
GUIDELINES IMPOSED IN JULY. THE GUIDELINES, WHICH HAD BEEN
SHARPLY CRITICISED BY ALL MAJOR TRADE UNIONS, (SEE REFTTEL)
WERE IMPOSED IN PARTIAL FULFILLMENT OF IMF CONDITIONS FOR A
STANDBY FINANCING FACILITY.

2. ACCORDING TO AN AGENCY FOR PUBLIC INFORMATION NEWS
RELEASE, NEW GUIDELINES WILL BE PUT INTO EFFECT NEXT WEEK
FOLLOWING FURTHER DISCUSSIONS BETWEEN THE GOVERNMENT AND THE
TRADE UNIONS. THE RELEASE STATES THAT IT HAS ALREADY BEEN
AGREED THAT THE NEW GUIDELINES WILL NOT SET ANY LIMITS
ON WAGE INCREASES GRANTED BY WAGE TRIBUNALS AND THAT THE
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PAGE 02 KINGST 05105 312123Z

\$10 PER WEEK CEILING ON WAGE INCREASES WILL BE ELI-
MINATED WHEN SUCH ACTION CAN BE JUSTIFIED ON THE BASIS
OF COST OF LIVING INCREASES, ABILITY TO PAY, AND
COMPARABILITY.

3. EMBASSY COMMENT: THE EASE WITH WHICH THE
GOVERNMENT FOLDED ON ITS WAGE GUIDELINES IS LESS ATTRI-

BUTABLE TO THE POTENTIAL FOR INDUSTRIAL UNREST THAN IT IS TO THE NEED FOR HARMONY AS THE PNP GOES INTO ITS ANNUAL CONFERENCE NEXT WEEK. A CONFRONTATION WITH THE UNIONS WOULD HAVE PROVIDED AMMUNITION TO THE RADICAL ELEMENTS OF THE PNP AT THE CONFERENCE, WHERE IMPORTANT DECISIONS ON THE FUTURE MOVEMENT OF THE PARTY MAY BE REACHED. WHETHER THE GOJ CAN REVERSE ITSELF AFTER THE PARTY CONFERENCE AND REIMPOSE A STRICT WAGE POLICY IS PROBLEMATIC. ALTHOUGH IT IS TOO EARLY TO JUDGE THE FORM OF THE NEW GUIDELINES TO BE PROMULGATED NEXT WEEK, IT WOULD APPEAR THAT THEY WILL BE SIGNIFICANTLY MORE LIBERAL THAN THE GUIDELINES PREVIOUSLY IN EFFECT. ACCORDINGLY, THE GOJ IS RUNNING A SERIOUS RISK OF VIOLATING THE TERMS OF ITS AGREEMENT WITH THE IMF. IF MAJOR PRIVATE SECTOR WAGE INCREASES ARE ALLOWED, THERE WILL BE SIGNIFICANT PRESSURE ON THE GOJ TO ELIMINATE THE FREEZE ON PUBLIC SECTOR WAGES, A MOVE WHICH WOULD BRING ABOUT INEVITABLE INCREASES IN THE UNFINANCEABLE BUDGET DEFICIT. ANY OF THESE DEVELOPMENTS WOULD MAKE IT ALL BUT IMPOSSIBLE FOR THE GOJ TO MEET IMF PERFORMANCE CRITERIA.

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Message Attributes

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